American Economic Association

The Managerial Revolution: What Is Happening in the World by James Burnham
Review by: Lincoln Gordon
The American Economic Review, Vol. 32, No. 3, Part 1 (Sep., 1942), pp. 626-631
Published by: American Economic Association
Stable URL: http://www.jstor.org/stable/1803993
Accessed: 25/06/2014 07:54

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at
http://www.jstor.org/page/info/about/policies/terms.jsp

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

American Economic Association is collaborating with JSTOR to digitize, preserve and extend access to *The American Economic Review.*

http://www.jstor.org

This content downloaded from 188.72.96.115 on Wed, 25 Jun 2014 07:54:10 AM
All use subject to JSTOR Terms and Conditions

Pigou's masterly little volume still stands in a class by itself among the books in English on the economics of war. None of these three can approach it in acuteness of analysis, clarity, or style. But both the Brown University book and Professor Spiegel's volume are a credit to their authors, and both undoubtedly will find wide use in American colleges.

R. A. GORDON

Washington, D.C.

The Managerial Revolution: What Is Happening in the World. By JAMES BURNHAM. (New York: Day. 1941. Pp. 285. $2.50.)

This volume is probably the most widely read essay in social theory and the philosophy of history to appear in recent years. It purports to set forth in purely objective terms a description and analysis of a social revolution through which the entire world is said now to be passing and which will be fully crystallized within the next decade or two. The description comprises social structure, economic organization, political ideology, and international relations.

The author has not the slightest uncertainty in his own mind as to the validity of his diagnosis; he seeks to dispel any uncertainty in the reader's mind by a didactic style which is opinionated and self-assured to the point of arrogance. In detail, the work is often logically crude and historically inaccurate. Perhaps its major source of interest, indeed, is not so much its content as the extraordinary response which it has evoked in the reading public.

The thesis of *The Managerial Revolution* is extremely simple. It is a modification of one wing of doctrinaire Marxism (the author is an ex-Trotskyite). To the familiar concepts of the proletariat and bourgeoisie as major social classes, Burnham adds the "managers," whom he regards as the emerging dominant class. The remainder of the theory is wholly in the Marxist tradition. Revolution is conceived as the transfer of social power from one class to another. The primacy of economic relations in determining social development is reaffirmed, and even regarded as the only factor in social development worthy of attention. Social power is defined in terms of effective control over access to the means of production, and symbolized by preferential treatment in the distribution of income. The state is regarded as one of the instruments of class rule, directing its efforts toward the maintenance of a given set of class relations. Ideologies are viewed as reflections of economic class interest, the dominant ones serving in fact (whether or not consciously so intended by their authors) to make popularly acceptable the position of the ruling class. Burnham's sole departure from the Marxist formula is his affirmation of the existence of an identifiable managerial class which has already advanced far along the road toward complete possession of power.

Who, then, are these "managers"? In the chapter devoted to this specific question, Burnham tells us that they are the men engaged in "the technical direction and coördination of the process of production" (p. 79). Again, he says (p. 80): "We may often recognize them as 'production managers,' operating executives, superintendents, administrative engineers, supervisory tech-

This content downloaded from 188.72.96.115 on Wed, 25 Jun 2014 07:54:10 AM
All use subject to JSTOR Terms and Conditions

nicians; or, in government (for they are bound to be found in governmental enterprise just as in private enterprises) as administrators, commissioners, bureau heads, and so on. I mean by managers, in short, those who already for the most part in contemporary society are actually managing, on its technical side, the actual process of production, no matter what the legal and financial form—individual, corporate, governmental—of the process."

The emphasis here is on *production*—the actual turning out of goods and services. Burnham specifically differentiates his "managers" from those high-ranking corporate executives who "have the functions of guiding the company toward a profit" (p. 83). Thus the protagonists of this essay are not the group commonly referred to in contemporary analysis of corporate structure as "management"; they are not concerned with markets, prices, or profits; they are simply the group which gets out the goods. This terminological peculiarity has of course no intrinsic importance in itself. It gains importance only from Burnham's heavy reliance in applying his thesis to the United States on Berle and Means's *The Modern Corporation and Private Property,* where the term "management" refers to precisely that group which Burnham calls "finance-executives" and in no sense to Burnham's production "managers." Moreover, in the light of Burnham's explicit emphasis on production control as the typical managerial function, it is impossible to understand his inclusion of American government administrators as leading specimens of the managerial species. Omitting the war agencies, it is clear that except for a handful of executives of public enterprises in the narrow sense, such as the Tennessee Valley Authority and the Rural Electrification Administration (and even this latter instance is doubtful), our administrators, commissioners, bureau heads, etc., are *not* directly concerned with the organization of production. Burnham is compelled to describe them as "managers" in order to fit into his thesis the last decade of American political and economic development. This characteristic logical *tour de force,* like many others in the book, is interlarded with fulsome references to the pure objectivity of the pure social scientist.

It is the "managers" as thus defined who Burnham assures us will inherit the earth within a few decades. Soviet Russia is regarded as virtually a full-blown managerial economy; nazi Germany is not far from the goal; and New Deal America is well on its way. The managers are certain to acquire power because of their technical indispensability; the revolution requires no conscious effort toward that end. The process may take place in either of two ways. The Russian pattern consists of the destruction of the capitalists by a temporary alliance between managers and masses, followed by a gradual reduction of the masses to impotence. The German pattern, in contrast, consists of the destruction of the organized power of the masses by a temporary alliance between managers and capitalists, followed by a gradual reduction of the capitalists to impotence. The American pattern partakes of both, but is supposed to resemble the German more closely than the Russian. In either event, the end-product is identical. The managerial revolution has its own ideological superstructure, focused around the concepts of the state and state authority, collective action, planning, security, coördination, and the elite.

This content downloaded from 188.72.96.115 on Wed, 25 Jun 2014 07:54:10 AM
All use subject to JSTOR Terms and Conditions

In the international sphere, managerial power will first be consolidated into three great world-regions, each based upon a center of heavy industry. The centers are in Japan, the United States, and northwestern Europe (the Ruhr-Rhine area, northeastern France and Belgium). It is perhaps peculiarly significant that Burnham takes it for granted that the European center will be controlled by Germans, and gives no thought to the possibility of a heavy industry center in Russia. After consolidation of these three spheres in consequence of the present war, Burnham envisages a long series of inconclusive inter-sphere struggles for world domination by a single group of managers—struggles which can be terminated only when technical development of the means of warfare permits one of the three groups to gain global omnipotence.

The Managerial Revolution can be criticized at three quite separate levels. The first is one of internal coherence: accepting Burnham's general premises, does he prove his thesis? The second is a criticism in Marxist terms: assuming the validity of the Marxist concepts of social structure, class, and revolution, how does the Burnham variation on the Marxist theme stack up against more orthodox renderings? The third goes to the root of Burnham's analysis by questioning not only his logic but the conceptual framework itself—a framework which, as noted above, Burnham and contemporary Marxists possess in common.

The first level need not detain us for long. Any careful analysis of this book will show it to be replete with historical fallacies and logical absurdities. Two examples will suffice: the "proofs" that nazi Germany is in essence already a managerial state, and that pre-war New Deal America was in the early stages of a managerial revolution with marked tendencies in that direction.

The chapter on "The German Way" presents only eight evidences of "managerial" trends other than mere assertion. They may be restated in two propositions as follows: (1) nazi Germany is not capitalist, because (a) she eliminated mass unemployment in a couple of years after 1933, (b) she has "broken through the restrictions of capitalist finance" (p. 334), (c) her territorial expansion, efficient war-making, ability to inspire fanatical loyalty, and youthful leadership are all signs of renewal rather than decadence, (d) the existence of the nazi Fifth Column in other nations proves that nazism is a social-revolutionary force, and (e) the share of capitalists in the national income is decreasing. (2) Nazi Germany is managerial because (a) there is an increase in state enterprise and in state control over private enterprise and labor, administered through boards, bureaus, and commissions, (b) the *de facto* managers of factories have "final say, subject to certain bureaus and state-controlled courts, about labor disputes—that is . . . the right of controlling access to the instruments of production" (p. 238), and (c) we seldom find managers among exiles from nazi Germany—"for the managers realize that the society which is developing is *their* society."

The first proposition is hardly proved, and even if proved would be relevant only if Burnham had already demonstrated that only three forms of society are possible—capitalist, socialist, and managerial. As to the second propo-

This content downloaded from 188.72.96.115 on Wed, 25 Jun 2014 07:54:10 AM
All use subject to JSTOR Terms and Conditions

sition, it is noteworthy that the only positive point involving managers as Burnham has defined them is the one on labor disputes, where the "managers" are subject to bureaucratic control. The final point is perhaps the crowning absurdity—which oddly enough was selected by the publishers for quotation on the jacket. One might equally well argue from the notable absence of peasant refugees that nazi Germany is heralding the dawn of the "agrarian revolution." Nowhere is the hegemony of the Nazi party and Gestapo given recognition as a prime element in German social reality.

The thesis that the American New Deal is "managerial" in tendency is buttressed by equally weighty argument. The significant and managerially-minded New Dealers who really count, Burnham tells us, are not conspicuous politicians and not President Roosevelt (who "does not make 10% difference"), but "the younger group of administrators, experts, technicians, and bureaucrats who have been finding places throughout the state apparatus: not merely those who specialize in political technique, in writing up laws with concealed 'jokers,' in handing Roosevelt a dramatic new idea, but also those who are doing the actual running of the extending government enterprises: in short, managers" (pp. 254-55). Here again, the argument simply fails to square with facts. No one would seek to deny the expanded rôle of government in economic life under the New Deal. But the number and influence of administrators who meet Burnham's definition of "managers"—who are *production* men—has been insignificant.

In actuality, the new bureaucracy has been performing in the name of the government a function corresponding closely to that of Burnham's "finance-executives"—dealing with costs, prices, labor relations, investment, and capital structure, but in only a handful of instances have they been concerned with physical production. Private production managers were for the most part at least as hostile to the New Deal as were capitalists, whose apoplectic rages against Roosevelt Burnham cites as evidence for the New Deal's anticapitalist character. Burnham seeks additional weight for his thesis in the view that the New Deal has "curbed the masses" by tying unions more closely to the state. Why not argue in precise parallel that the New Deal has curbed the managers by tying them more closely to the state?

It will be evident that, even accepting Burnham's premises, he has not proceeded from premise to logical conclusion by the marshalling of cogent evidence, despite all his repeated assertions of devotion to scientific method. Nor has he made a thoroughly convincing case against the orthodox Marxists, a level of criticism which it is not proposed to enter upon in this review.[1]

The fundamental criticism of Burnham's thesis cuts beneath his superficial logical errors and his gadgetary modification of Marxism based on the "managerial" class; it challenges the Burnham-Marxist conceptual framework itself. To do justice to criticism on this plane would require several volumes rather than a few paragraphs, but the general lines of the rebuttal may be briefly indicated.

At this level, objection would first be taken to the exclusive rôle assigned

[1] For a critique of Burnham in Marxist terms, see P. M. Sweezy, "The Illusion of the Managerial Revolution," *Science and Society,* Vol. 6 (Winter, 1942), p. 1.

This content downloaded from 188.72.96.115 on Wed, 25 Jun 2014 07:54:10 AM
All use subject to JSTOR Terms and Conditions

to economic influences in social development. The enormous importance of such influences, particularly in the modern world, can hardly be questioned; their exclusive importance has always been questionable. In recent centuries they have been powerfully modified and sometimes directly negated by political influences, both organizational and ideological. Nationalism in both international and domestic affairs, and the search for individual liberty and popular responsibility for government, are outstanding instances of such forces. Over the great span of recorded history and in most portions of the globe, religious views and organization have generally predominated over affairs economic. Even when such non-economic forces may be traced in their origins to economic interests and pressures, they develop in practice, once conceived, an independent vitality of their own. Such has been the experience with liberalism. The apotheosis of economics in social development is a consequence of excessive preoccupation with the history of Western Europe, and especially of England, over the past four centuries—and it may be effectively challenged even there.

In the second place, exception must be taken to the view that any given society at any given time can be realistically analyzed in terms of the exclusive dominance of a single social-economic class which maintains its position by the exploitation of one or two other classes. Here again, the tremendous importance of the concept of class as an instrument of social analysis is irrefutable. But a realistic sociology must deal with coherent groups based upon community of non-economic as well as economic interest; it must recognize a multitude of groups of varying degrees of coherence and inclusiveness; and it must conceive of a highly complex equilibrium of social forces involving groups of all types and of all levels of social influence. Life just is not as simple as the Marxists would have us believe. The complex motivations of individual behavior which modern psychology is systematically exploring have their counterparts in social behavior, and no philosophy of history contemplating two or three classes activated by a single, simple, economic motive can either fully explain the past or effectively predict the future.

An example may be drawn in terms of one of Burnham's central touchstones—"access to the means of production." In contemporary America, such access is not at the disposal of any single group. It is controlled partly by the legal owners of corporations, partly by financiers, partly by executive management, partly by production management, partly by labor unions, partly by local community organizations (which may be sympathetic to "capital," to "labor," or to neither), partly by federal bureaucrats, and partly by federal judges. If thirty years ago the resultant of these forces in most cases appeared to favor the interests of capital, can it be said today that similar forces produce any such simple or uniform resultant? Indeed, if a broad theory of the trend of contemporary American social development must be hazarded, it would appear to lie in the multiplication of social groups possessing an important share of power, and forming an equilibrium in which no single group is dominant.

Needless to say, the view advanced here would also challenge as a false

This content downloaded from 188.72.96.115 on Wed, 25 Jun 2014 07:54:10 AM
All use subject to JSTOR Terms and Conditions

trichotomy Burnham's simple choice among capitalism, socialism, and "managerialism." Against this challenge, Burnham's major arguments fall to the ground, since they rest primarily on an effort to disprove the likelihood of the continuance of capitalism or the advent of socialism, rather than on positive evidence in support of managerialism.

For all its defects, Burnham's book is not wholly worthless. It contains the germ of an important idea—the tendency of an increasingly complex productive mechanism to give enhanced social significance to organizational technicians. This is particularly true in wartime. The book has undoubtedly stimulated thought on the broad processes of social change in circles to which such considerations are generally unfamiliar. Its style, however annoying, is provocative, and it possesses occasional flashes of genuine insight. The basic thesis, however, is wholly unproved.

The book's popularity, particularly in American business circles, is something of an enigma. It is impossible to explore here the psychological conditions which created so favorable a public response. In part, no doubt, it has been welcomed for its emphatic disavowal of the false dichotomy "Communism or Fascism." It is likely, also, that many business men were sympathetic to a grandiose dramatic portrayal of "what is happening in the world" when they could readily identify themselves with the protagonists. In this connection, it is of little significance that the book's admirers have apparently been as numerous in legal, financial, and "finance-managerial" circles as among production organizers, since rapid readers with a slight, wishful bias might easily slur over the precise content of Burnham's concept of "managers."

The more deep-seated causes of this widespread acceptance, however, probably lay in the underlying malaise and sense of frustration which was all too common in the American business world in 1941 and which bore a dangerously close resemblance to many aspects of pre-war France. The equilibrium between business and the New Deal was still far from stable. The effect of the war on the American economy was ill-defined. In the midst of the resulting uncertainties there appeared a book which claimed to have all the answers and which asserted the inevitability of its conclusions in language which anyone could understand. *The Managerial Revolution* had all the appeal of that brand of adolescent "realism" which forgets that the rôle of moral values in influencing human action has historical objectivity as great as the rôle of hunger, and which releases the weary conscience by emasculating the will.

In the perspective of the world struggle to which we are now committed, the effect of any broad acceptance of Burnham's thesis among influential groups is clearly defeatist. It is perhaps not unreasonable to suppose that had this book been published after Pearl Harbor, the response would have been far less sympathetic.

LINCOLN GORDON

Washington, D.C.

This content downloaded from 188.72.96.115 on Wed, 25 Jun 2014 07:54:10 AM
All use subject to JSTOR Terms and Conditions